REMARKS/ARGUMENTS

Claims 1 through 19 and 21 through 25 are pending in the instant application.

The Examiner has finally rejected claims 1 through 19 and 21 through 25 under 35 U.S.C. 102(e) as being anticipated by McRedmond, U.S. Patent Publication No. 2001/0034692. The final rejection of Applicant's claims is respectfully traversed. Reconsideration and favorable action is respectfully solicited in view of the following.

The Examiner has finally rejected claims 1 through 19 and 21 through 25 under 35 U.S.C. 102(e) as being anticipated by McRedmond, U.S. Patent Publication No. 2001/0034692. The Examiner, in the instant Official Action, has taken the position that Applicant's claim elements are disclosed by McRedmond at the following locations within McRedmond:

> A method of operating a venture capital investment business, comprising: establishing a business entity *(investment vehicle p.2, 21)* the said business entity establishing an investment fund for venture capital *(VC backed investments p.2, 21 and 24)*; establishing a fund managing entity of the investment fund, the fund managing entity attending to administrative matters relating to the said investment fund and making investment decisions for the fund *(founders and officers p.2, 21)*; the said investment fund having capital contributions provided by investors in the fund to said fund, the fund managing entity also providing capital contributions to the said fund, the fund utilizing the contributions to invest in portfolio entities *(investors,. officers, and founders can contribute to the fund p.2, 21-23)*; the said investors receiving a general participation interest in the said fund, and the fund managing entity receiving a carried interest in the fund *(p.2, 21)*; providing the said investors that have provided at least a threshold capital contribution to the said fund with stock rights

> in the said business entity to enable such investors to become shareholders in the said business entity _(shareholders in whatever is invested into the fund, including IPOs p.2, 22-23 and 28-29)_; the said business entity securing a portion of IPO shares that become available in the portfolio entities _(major sources of securities to be sold may be derived from IPOs p.2, 28-29)_; and the said business entity enabling shareholders thereof to purchase IPO shares among the said portion of IPO shares secured by the said business entity that become available in the said portfolio entities _(p.2, 28-29)._
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> The Examiner is interpreting McRedmond [as] reading onto the invention substantially as claimed. _[Emphasis added.]_

In support of Applicant's position that McRedmond does not relate to an integrated method of operating a venture capital investment business, the Applicant submits herewith his Declaration Under 37 C.F.R. 1.132. Beginning at page 4, line 22, and continuing through page 8, line 5, of his Declaration, the Applicant has analyzed the Examiner's position with respect to McRedmond and has offered the following analysis:

> "vehicle" (the Examiner relies on p.2, 21). This refers not to an umbrella and back office of an integrated venture capital business but to a "system and method for creating a secondary market...over a network that is preferably...the Internet."
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> "VC backed investments" (the Examiner relies on p.2, 21 and 24). As used by McRedmond, this refers to a way to first qualify a security "as being of appropriate quality; McRedmond's supposition is that if a venture capitalist had invested in the business it must demonstrate that the investment has redeeming qualities. In contrast, my invention envisions the business entity establishing (i.e., forming and managing) multiple venture capital funds; this is not anywhere found within McRedmond).
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> "founders and officers" (the Examiner relies on p.2, 21.) As used by McRedmond, this refers to the founders and officers of private companies whose net worth is tied up in illiquid securities who can presumably "liquidate a non-material portion of

equity...providing liquidity." This has nothing to do with the business entity structuring a fund managing entity to deal with the day-to-day management decisions of the fund.

"investors, officers, and founders can contribute to the fund" (the Examiner relies on p.2, 21-23). Nowhere does McRedmond even contemplate investors, officers, and founders contributing to a fund. Instead, as discussed above, McRedmond seeks a method to allow these individuals to liquidate their holdings and within these sections again theorizes about how to make sure the illiquid securities being sold are not of absolutely terrible companies ("prescreened", "other verification and vetting procedures", etc.).

"the said investors receiving a general participation interest in the said fund, and the fund managing entity receiving a carried interest in the fund" (the Examiner relies on p.2, 21). My review of McRedmond reveals that McRedmond doesn't remotely discuss fund management, let alone a carried interest for a fund managing entity.

"shareholders in whatever is invested into the fund, including IPOs" (the Examiner relies on p.2, 22-23 and 28-29). My review of McRedmond reveals that not only does this requirement not appear in McRedmond; but also what is set out is not remotely similar. What my invention fosters is the integration of the entire system by aligning disparate interests (e.g., those of the business entity and its shareholders, the funds the business entity manages and supports, and the portfolio companies the funds invest in), and it uses stock rights in the business entity itself as a common reward and currency so that participants at the fund level may become shareholders of the business entity as well.

"major sources of securities to be sold may be derived from IPOs" (the Examiner relies on p.2, 28-29). McRedmond does not contemplate a business entity as the creator of the fund manager of the fund contractually securing the right for its shareholders to one day participate in an IPO of a fund portfolio company; in fact, McRedmond doesn't deal with IPOs (initial public offerings) at all. McRedmond deals with "a system and method for trading private equity in a secondary market over (the Internet)" and suggests only that "major sources of securities to be sold" through the McRedmond invention may be from aborted IPOs (i.e., "IPOs which

were projected to be accomplished but which were pulled for various reasons").

"the said business entity enabling shareholders thereof to purchase IPO shares among the said portion of IPO shares secured by the said business entity that become available in the said portfolio entities" (the Examiner relies on p.2, 28-29). These sections in McRedmond state that when "the IPO does not take place", as these companies have "represent(ed) a desire...to obtain investment capital," they likely "represent an opportunity" in terms of them wanting to try the McRedmond invention to secure capital. I respectfully submit that this has nothing to do with shareholders of the business entity being able to secure a portion of a fund's portfolio company's IPO shares in proportion to their ownership interest in the business entity.

In conclusion, it is my finding that McRedmond simply does not relate to an integrated method of operating a venture capital investment business; but, instead, proposes a method for creating a secondary market in which private equities are auctioned over the Internet to qualified investors. As proposed by McRedmond, a typical buyer-driven transaction, a qualified buyer puts out a bid for private assets in a particular area. Sellers who subscribe to the system receive notice of the bid and can then respond. As proposed, in a typical seller-driven transaction, a seller puts out a notice on the system of equities for sale. Buyers who subscribe to the system receive notice and can respond. Either the buyer or the seller may be charged by the system, depending on the transaction. McRedmond proposed that the typical sources for the private equities will be interests in limited partnerships and pre-IPO or pulled-IPO securities (i.e., aborted IPO attempts).

In stark contrast with McRedmond, Applicant's invention is directed to an integrated method of operating a *venture capital investment business*. In one aspect, the method includes the steps of establishing a business entity, the business entity establishing an *investment fund for venture capital*, establishing a fund managing entity of the investment fund, the fund managing entity attending to administrative matters relating to the investment fund and making investment decisions for the fund, the investment fund having capital contributions provided by

investors in the fund, the fund managing entity also providing capital contributions to the fund, the fund utilizing the contributions to invest in portfolio entities; the investors receiving a general participation interest in the fund, and the fund managing entity receiving a carried interest in the fund; providing the investors that have provided at least a threshold capital contribution to the fund with stock rights in the business entity to enable such investors to become shareholders in the business entity; *the business entity securing a portion of IPO shares* that become available in the portfolio entities; and *the business entity enabling shareholders thereof to purchase IPO shares among the portion of IPO shares secured by the business entity that become available in the portfolio entities.*

It is well-known that an initial public offering (IPO) is a company's first sale of stock to the public. Securities offered in an IPO are often, but not always, those of relatively new, small companies seeking outside equity capital and a public market for their stock. Investors purchasing stock in IPOs generally must be prepared to accept very large risks for the possibility of large gains.

Applicant's invention provides a method for integrating and aligning the interests of the parties involved in driving the growth and development of a robust venture capital business by offering the constituent groups the opportunity to become shareholders in the business entity which is the centerpiece of the integrated enterprise as well as the entity that has secured the right to participate, via rights offerings or directed share subscription programs, in the IPOs of the portfolio companies of the funds which the business entity manages. As may be appreciated, the invention also broadens access to participation in IPOs which, historically, have been mostly restricted to institutions, high net worth investors and the like. McRedmond does not relate to the integration of a central operating entity having a periphery of funds that the entity manages and supports, as is specifically required by Applicant's claims. Moreover, McRedmond provides no teaching even

remotely related to an integrated venture capital environment by which shareholders of a business entity may participate in the IPOs of portfolio companies of funds that the business entity manages. Instead, McRedmond proposes to create a secondary market in private equities by auctioning venture-backed private equities over the Internet to qualified investors.

McRedmond observes huge sums of money "pour(ing) into private companies in the U.S." and notes "there is still no marketplace to buy and sell these (traditionally illiquid) securities." Accordingly, McRedmond envisions a secondary market system accessible by accredited investors "that would provide targeted marketing of securities to accredited investors that match the interests of the investor with the type of security available for sale." Moreover, the McRedmond system would "allow, in an automated way, a review of business plans and ancillary documents in an efficient and effective manner..." The goal is "establishing a secondary market for the buying and selling of private equities, both of individual companies and of limited partnership interests."

Other objects of McRedmond include the following: creating a secondary market for resale of restricted stock of public securities; creating calls and puts on private equities; qualifying both businesses and investors; prescreening securities for quality; assisting entrepreneurs in developing business plans; creating video or audio interactive presentation methods; and creating an alternate exit strategy for VCs, investors, incubators, angel round financiers, pension funds, corporations, and founders.

McRedmond is not concerned with, nor does McRedmond teach or suggest developing an integrated private equity concern where a financial services business entity is the centerpiece, back office, and umbrella for funds and allows its shareholders to participate in the IPOs of fund portfolio companies. Instead,

McRedmond relates to creating a secondary market for heretofore illiquid securities over the Internet. As such, it cannot teach nor is it related to Applicant's integrated method for operating a venture business.

As stated in MPEP §2131, in order to constitute anticipation under the law, a patent or publication must contain within its four corners a sufficient description to enable the person of ordinary skill to make the invention without undue experimentation. All material elements of a claim must be found in one prior art source, a mere suggestion is not enough. Moreover, essential elements are not to be read into a reference. If a reference does not expressly recite or disclose Applicant's claimed invention, as is the case here, then, it is required under principles of inherency that the claimed subject matter *be inevitably produced* when the teachings of the relied upon reference are followed, in order for a proper case of anticipation to be found. For the reasons suggested above, it is believed that Applicant's claimed method is not fairly taught and that following the teachings of McRedmond could not inevitably produce the invention, as claimed.

Additionally, the Applicant wishes to point out that McRedmond, U.S. Patent Publication No. 2001/0034692, published on October 25, 2001, and claims priority back to February 14, 2000, for commonly disclosed subject matter. While not agreeing with or acquiescing in the instant grounds for rejection, the Applicant submits herewith a Declaration Under 37 C.F.R. 1.131, which states that the invention of the instant application was conceived in New York, New York prior to February 14, 2000, the earliest date to which McRedmond is entitled to as a reference.

To further support that the Applicant conceived of his invention prior to February 14, 2000, the Declaration of Steven G. Hubbard is submitted concurrently herewith. In the Declaration of Steven G. Hubbard, Mr. Hubbard

confirms that, prior to February 14, 2000, he discussed with Applicant the claimed method of operating a venture capital investment business, the method comprising the steps of establishing a business entity; the business entity establishing an investment fund for venture capital; establishing a fund managing entity of the investment fund, the fund managing entity attending to administrative matters relating to the investment fund and making investment decisions for the fund; the investment fund having capital contributions provided by investors in the fund, the fund managing entity also providing capital contributions to the fund, the fund utilizing the contributions to invest in portfolio entities; the investors receiving a general participation interest in the fund, and the fund managing entity receiving a carried interest in the fund; providing the investors that have provided at least a threshold capital contribution to the fund with stock rights in the business entity to enable such investors to become shareholders in the business entity; the business entity securing a portion of IPO shares that become available in the portfolio entities; and the business entity enabling shareholders thereof to purchase IPO shares among the portion of IPO shares secured by the business entity that become available in the portfolio entities. In the Declaration of Steven G. Hubbard, Mr. Hubbard also confirms that he prepared the GoldenEye Technologies Prospectus, attached as Exhibit A, under my direction, prior to February 14, 2000.

Applicant's Declaration Under 37 C.F.R. 1.131, further states that the Applicant diligently pursued a reduction to practice of his invention, beginning at least as early as the date of incorporation of GoldenEye International, Inc. on January 19, 2000, and prior to February 14, 2000, the earliest date to which McRedmond is entitled to as a reference. This is further demonstrated by the Exhibits attached to Applicant's Declaration Under 37 C.F.R. 1.131. Also, the invention of the instant application was reduced to practice in New York, New York.

Applicant asserts that the arguments made above should in no way be interpreted to mean that the Applicant accepts the substantive position taken by the Examiner in making the rejection.

In view of the foregoing, it is respectfully requested that the grounds for rejection of claims 1 through 19 and 21 through 25 under 35 U.S.C. 102(e) as being anticipated by McRedmond, U.S. Patent Publication No. 2001/0034692, be withdrawn.

Should the Examiner find that this response does not place this important application in condition for allowance, the Examiner is invited to contact the undersigned by telephone to discuss how this rejection may be overcome.

The Commissioner is hereby authorized to charge any additional fees which may be required, or credit any overpayment to Account No. 50-2478 (12763).

It is respectfully submitted that the present claims are in condition for allowance. Prompt notification of allowance is respectfully solicited.

Respectfully submitted,

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